

Message Text

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ACTION EA-09

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FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC PRIORITY 8488

C O N F I D E N T I A L BANGKOK 3411

PASS EXIMBANK FOR F. MASSEY AND OPIC FOR D. GREGG AND S. FRANKLIN

E.O. 11652: N/A

TAGS: EFIN, TH

SUBJ: SIAM KRAFT PAPER CO., LTD.

THE FOLLOWING IS FOR INFORMATION:

1. RESOLUTION OF SHAREHOLDERS. NECESSARY TO GET SHAREHOLDERS' APPROVAL FOR INCREASE IN AUTHORIZED SHARE CAPITAL. SCC WANTS THIS AND APPARENTLY IT IS NOW POSSIBLE UNDER THAI LAW TO HAVE AUTHORIZED BUT UNISSUED SHARES. THAIS ANXIOUS TO LIMIT INFORMATION ABOUT REORGANIZATION GIVEN TO SHAREHOLDERS. WE FEEL SHAREHOLDER APPROVAL REORGANIZATION NECESSARY AND DESIRABLE. THEREFORE NOTICE WILL BE APPROVED SKPC BOARD FEBRUARY 19. FIRST SHAREHOLDER MEETING MARCH 1 AND SECOND MEETING MARCH 15. TIME LAPSE NECESSARY FOR NOTICE REQUIREMENTS. HAVE ADVISED SKPC NO DISBURSEMENTS UNTIL SHAREHOLDER APPROVAL.

2. DEBENTURE PROBLEM. FIVE MAJOR DEBENTURE HOLDERS, SCB, BANGKOK BANK, BANK OF FIRST INVESTMENT TRUST, LANSOM INDUSTRIES AND WAREHOUSE CO., LTD., HOLDING 21.4 MILLION BAHT OUT OF TOTAL 31.5 MILLION, ABOUT 68 PER CENT, ARE WILLING TO REDUCE INTEREST TO 2 PER CENT AND SUBORDINATE TO NEW LOANS. 5.8 MILLION BAHT, HELD BY FOUNDATION FOR NEEDY STUDENTS UNDER QUEEN'S SPONSORSHIP, ROMAN CATHOLIC MISSIONS AND MAHANAKUT TEMPLE UNDER KING'S SPONSORSHIP. 3.9 MILLION HELD BY 68 SMALL DEBENTURE HOLDERS. REPRESENTATION MADE THAT THREE CHARITIES DEPENDENT ON 10 PER CENT INTEREST AS SOURCE OF INCOME. SOME SMALL DEBENTURE HOLDERS WILLING TO GO ALONG WITH REDUCTIONS AND SUBORDINATION. OTHERS WILL NOT AND SOME THREATEN SUIT. GENERALLY

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AGREED THAT IT MAY BE DIFFICULT TO GET AGREEMENT FROM SMALL DEBENTURE HOLDERS. OUR POSITION IS THAT ALL MAJOR DEBENTURE HOLDERS INCLUDING CHARITIES ACCEPT REDUCTIONS AND SUBORDINATION AND SCB ACCEPT GENERAL DEBT. THAI COUNTER OFFER IS THAT CHARITIES AGREE TO SUBORDINATION, BUT NOT REDUCTION, AND SCB AGREES PRINCIPAL INSTALLMENTS OF ITS GENERAL DEBT BE REDUCED BY AMOUNT OF PAYMENTS ON ITS DEBENTURES DUE 1981, 1982, AND 1983, AND ITS DEBENTURES BE SUBORDINATED TO EXIMBANK AND OPIC GENERAL DEBT AS WELL AS TO NEW LOANS. SCB SEEMS FIXED ON ITS POSITION OF GETTING 2 PER CENT ALONG WITH OTHER DEBENTURE HOLDERS DUE TO FEELING IT WAS ORIGINALLY INDUCED TO UNDERWRITE DEBENTURES AND HENCE HAD TO PICK UP AGAINST ITS DESIRES. PLEASE INDICATE IF THAI OFFER ACCEPTABLE.

3. BOARD COMPOSITION. PRESENT COMPOSITION OF BOARD INCLUDES SEVEN REPRESENTATIVES OF PRINCIPAL CREDITORS PLUS THREE OLD MEMBERS. LATTER CAN BE INDUCED TO RESIGN IF EXBANK WANTS ON. NOW CONTINGENT TO NEW ELECTIONS UNTIL SEPTEMBER 1976. OUR THINKING NOW IS THAT EXBANK AND OPIC WILL NOT BE REPRESENTED ON BOARD AT LEAST UNTIL NEXT GENERAL MEETING.

4. CREDITORS COMMITTEE. ORIGINAL REASON FOR EXBANK NOT BEING ON BOARD BUT ON CREDITORS COMMITTEE WAS TO AVOID LEGAL AND POLITICAL IMPLICATIONS OF OPERATING CONTROL OF SKPC. LEGAL RESULTS NOW LARGELY BLURRED BECAUSE OF MANY CONTROLS EXERCISED BY CREDITORS COMMITTEE OVER SKPC ACTION AND OVER VOTING TRUSTEE. EXBANK COULD, IF IT WANTED, GET BOARD REPRESENTATION. OPIC STILL ADAMANTLY OPPOSED. WE PROPOSE TO APPROACH A MR. JAMES ROONEY, PRESIDENT AMERICAN CHAMBER OF COMMERCE IN BANGKOK, AS POSSIBLE REPRESENTATIVE EXBANK AND OPIC ON CREDITORS COMMITTEE. WILL ADVISE ON HIS REACTION.

5. LAW SUIT. APPARENTLY ALL PRESENT BOARD MEMBERS DESIRE SETTLEMENT. ONLY DIFFERENCE APPEARS TO BE AMOUNT. TARRIN SAYS SCB WILLING FOR WASH SETTLEMENT WITH RECOVERY OF EXPENSES OF APPROXIMATELY \$1 MILLION. OTHER BOARD MEMBERS WANT MORE. VIEWS EXPRESSED TO BE INDIVIDUAL RATHER THAN INSTITUTIONAL. BOARD MEMBERS UNWILLING TO ACCEPT OUR PROPOSAL OF AN ASSIGNMENT OF SKPC CLAIMS. RECENT AUTHORIZATION TELEXED BY SKPC TO SKPC U.S. COUNSEL TO INITIATE TALKS. ON RESPONSE FROM P&W WE WILL AGAIN CONFIDENTIAL

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DISCUSS MATTER AND POSSIBILITY OF EXBANK AND OPIC ROLE IN TALKS. APPARENTLY SETTLEMENT KEARN'S SUIT IMMINENT.

6. SECURITY. PROPOSED PLEDGE OF INVENTORIES IN WAREHOUSE HITTING SEVERAL ALLEGED LEGAL SNAGS BECAUSE OF DOUBTS ABOUT VALIDITY OF IN AND OUT FEATURES AND DIFFICULTIES IN ADMINISTRATION. OTHER SUGGESTIONS OF ASSIGNMENT TO TAKE EFFECT ON DEFAULT APPEAR UNSATISFACTORY. WE HAVE ADVISED THAT SATIS-

FACTORY SECURITY IS ABSOLUTE ESSENTIAL TO ANY DISBURSEMENT.
FOLLOWING UP WITH LEVE AND LAWYERS FOR SKPC AND SCC.

7. OTHER MATTERS. NUMBER OF OTHER PROBLEMS BEING WORKED
ON. A MAIN DIFFICULTY IS ORGANIZING DOCUMENTS AND PRODDING
THAIS TO DO THEIR WORK,ALTHOUGH THEIR GENERAL VIEW POSITIVE
AND OPTIMISTIC. HOPE ALL DOCUMENTS WILL BE COMPLETED BY
END OF NEXT WEEK WITH POSSIBLE EXCEPTION SECURITY. WILL KEEP
ADVISED.

WHITEHOUSE

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